



# FACT SHEET

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## *U.S.-Korea Free Trade Agreement* **Montana Farmers Will Benefit**

September 2008

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The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Montana's agricultural products, including beef, feed grains, and vegetables. Montana's exports to all countries, estimated at \$723 million in 2007, supported about 7,705 jobs, both on and off the farm. These export sales make an important contribution to Montana's farm economy, which had total cash receipts of \$2.3 billion in 2007.

**Beef.** Montana's cattle and calf industry provided the state with \$981 million in farm cash receipts in 2007, 41 percent of the state's total. Cattle producers will benefit from this FTA.

- For beef muscle meats, the FTA provides a 15-year straight-line tariff phase out with a safeguard that begins growing from 270,000 tons, a quantity that is 17 percent larger than our largest historical shipments.
- Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines.
- Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

**Wheat.** Montana is the nation's fourth largest exporter of wheat and products, and earnings from wheat farming are the state's second largest source of farm cash receipts.

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or its autonomous tariff-rate quota (TRQ) of 1 percent.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

**Barley.** Barley ranks as Montana's third largest source of farm cash receipts with earnings of \$104 million in 2007.

- The new 2,500-ton duty-free quota established for unhulled and naked barley will give the United States a tariff advantage over competitors such as Australia and China.
- The new 9,000-ton duty-free quota established for unroasted malt and/or malting barley provides the United States with 10- and 20-percent tariff advantages, respectively, over our competitors.

**Vegetables.** The state's fresh and processed vegetable exports were estimated at \$54 million in 2007.

- Tariffs on asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will become duty free immediately.
- A new 3,000-ton duty-free quota for fresh potatoes and a new 5,000-ton duty-free quota for dehydrated potatoes will bring opportunities for growers.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years while the tariff for lentils will be removed within 10 years.

*For questions about the U.S.-Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).*

*For detailed information on how the Agreement benefits specific commodities, please visit:*

*<http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>.*